

**HABITAT FOR HUMANITY  
CALCASIEU AREA, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**Year Ended June 30, 2013**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Habitat for Humanity  
Calcasieu Area, Inc.  
Lake Charles, Louisiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of Habitat for Humanity Calcasieu Area, Inc. (a non-profit organization) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Calcasieu Area, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Habitat for Humanity Calcasieu Area, Inc.'s 2012 financial statements, and our report dated December 10, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2013, on our consideration of Habitat for Humanity Calcasieu Area, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity Calcasieu Area, Inc.'s internal control over financial reporting and compliance.

McMullen and Mancuso, CPAs, LLC

*McMullen And Mancuso CPAs*

Sulphur, LA

October 11, 2013

HABITAT FOR HUMANITY CALCASIEU AREA, INC.

STATEMENT OF FINANCIAL POSITION

For the Year Ended June 30, 2013  
with comparative totals for June 30, 2012

ASSETS		2013	2012
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$	444,153	\$ 128,649
Cash and Cash Equivalents - AHPP		-	250,401
Prepaid Credit Card		-	2,236
Construction in Progress		497,403	565,728
Current Portion of Non-Interest Bearing Mortgage			
Loans Receivable at Fair Value		133,809	124,208
Total Current Assets		1,075,365	1,071,222
<b>OTHER ASSETS</b>			
Non-Interest Bearing Mortgage Loans Receivable at Fair Value			
less Discount of \$1,658,748		1,405,290	1,159,930
Notes Receivable - AHPP		1,409,961	2,006,077
Inventory - Land and Lot		134,131	182,442
Inventory - Land and Lot - AHPP		28,745	50,707
Total Other Assets		2,978,127	3,399,156
<b>FIXED ASSETS</b>			
Property and Equipment (Net of Accumulated Depreciation of \$ 118,181)		45,755	31,155
Residential Properties		-	76,600
Residential Properties - AHPP		229,334	416,364
Net Property and Equipment		275,089	524,119
Total Assets	\$	4,328,581	\$ 4,994,497
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$	29,517	\$ 31,278
Accrued Leave		12,584	5,566
Payroll Taxes Payable		6,109	3,577
Sales Taxes Payable		930	-
Lawsuit Proceeds - AHPP		-	282,165
Current Portion of Non-Interest Bearing Note Payable			
less Discount of \$5,215		4,787	4,460
Note Payable - Brown Foundation		1,250	4,761
Escrow Funds for Rent, Taxes, Insurance -			
Mortgage Escrow Accounts		19,655	29,313
Escrow Funds for Rent, Taxes, Insurance - AHPP			
Mortgage Escrow Accounts		2,869	2,862
Total Current Liabilities		77,701	363,982
<b>LONG - TERM DEBT</b>			
Non-Interest Bearing Note Payable			
less Discount of \$25,327		64,663	69,065
Note Payable - Brown Foundation		4,479	16,154
Total Long - Term Debt		69,142	85,219
Total Liabilities		146,843	449,201
<b>NET ASSETS</b>			
Unrestricted		1,882,164	1,815,377
Temporarily Restricted		2,299,574	2,729,919
Total Net Assets		4,181,738	4,545,296
Total Liabilities and Net Assets	\$	4,328,581	\$ 4,994,497

The accompanying notes are an integral part of these statements

**HABITAT FOR HUMANITY CALCASIEU AREA, INC.**

**STATEMENT OF ACTIVITIES**

**For the Year ended June 30, 2013  
with comparative totals for 2012**

	<b>2013</b>			<b>2012</b>
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>TOTAL</u>
<b>PUBLIC SUPPORT AND REVENUES</b>				
Sales to Homeowners	\$ 528,687	\$ -	\$ 528,687	\$ 280,000
Habitat for Humanity International	-	471,724	471,724	510,377
Other Grants	-	-	-	9,517
Government Grant - AHPP	-	-	-	279,009
Contributions/House Sponsors	-	102,459	102,459	35,587
Property Sale Income - AHPP	-	-	-	32,380
Other Income - AHPP	-	238,090	238,090	9,061
Contributed Capital - AHPP	-	-	-	456,201
Contributed Capital - Property	-	24,000	24,000	7,000
In-kind Contributions	63,600	-	63,600	59,747
Gain (Loss) on Sale of Properties - AHPP	-	21,234	21,234	(149,064)
Other Program Income	11,343	-	11,343	10,219
Rental Income	10,205	-	10,205	-
Rental Income - AHPP	-	-	-	41,730
Restore Income	132,613	-	132,613	-
Special Events	5,737	-	5,737	24,460
Interest Income	106	-	106	68
Interest Income - AHPP	-	-	-	23
Miscellaneous Income	3,939	-	3,939	2,249
Imputed Interest Income on Non - Interest Bearing Mortgage Loans Receivable	76,586	-	76,586	69,068
Total Public Support and Revenues	<u>832,816</u>	<u>857,507</u>	<u>1,690,323</u>	<u>1,677,632</u>
Net Assets Released from Restrictions:	<u>1,265,052</u>	<u>(1,265,052)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	2,097,868	(407,545)	1,690,323	1,677,632
<b>EXPENSES</b>				
Program Service				
Construction, Supervision, and Support	1,659,909	-	1,659,909	1,029,588
Alternative Housing Pilot Program	-	90,764	90,764	269,092
Restore	60,000	-	60,000	-
Management and General	100,704	-	100,704	101,439
Fundraising	38,646	-	38,646	51,783
Total Expenses	<u>1,859,259</u>	<u>90,764</u>	<u>1,950,023</u>	<u>1,451,902</u>
<b>CHANGE IN NET ASSETS</b>	238,609	(498,309)	(259,700)	225,730
<b>NET ASSETS AT BEGINNING OF YEAR, AS ORIGINALLY REPORTED</b>	1,815,377	2,729,919	4,545,296	4,083,331
<b>PRIOR PERIOD ADJUSTMENTS</b>	<u>(171,822)</u>	<u>67,964</u>	<u>(103,858)</u>	<u>236,235</u>
<b>NET ASSETS AT BEGINNING OF YEAR, AS RESTATED</b>	<u>1,643,555</u>	<u>2,797,883</u>	<u>4,441,438</u>	<u>4,319,566</u>
<b>NET ASSETS AT END OF YEAR</b>	\$ <u>1,882,164</u>	\$ <u>2,299,574</u>	\$ <u>4,181,738</u>	\$ <u>4,545,296</u>

The accompanying notes are an integral part of these statements

HABITAT FOR HUMANITY CALCASIEU AREA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2013  
with comparative totals for 2012

	Program Services			Supporting Services		Total Services	Total Services
	Construction Supervision and Support	Alternative Housing Pilot Program	Restore	Management and General	Fundraising	2013	2012
Administrative Fees	\$ -	\$ -	\$ -	\$ 5,845	\$ -	\$ 5,845	\$ 537
Advertising	390	-	4,482	43	185	5,100	855
Bank Service Charges	-	-	-	2,487	-	2,487	1,968
Cost of Construction	650,688	-	-	-	-	650,688	371,699
Costs of Construction after Sale	66	-	-	-	-	66	1,232
Contract Labor	-	-	370	-	1,372	1,742	5,485
Conferences and Forums	5,877	-	-	653	-	6,530	1,867
Donations and Other Tithes	435	-	-	-	-	435	675
Dues and Subscriptions	8,501	-	-	945	975	10,421	19,231
Equipment and Storage Rental	-	-	11,946	-	-	11,946	-
Exterminating	-	-	-	-	-	-	3,168
Fields Subdivision:							
Attorneys Fees	-	-	-	-	-	-	50,005
Construction Consultant	-	-	-	-	-	-	1,463
Deposition/Court Costs	-	-	-	-	-	-	3,645
Environmental	-	-	-	-	-	-	60,690
Repairs and Maintenance	-	-	-	-	-	-	34,266
Food for Volunteers	330	-	-	-	-	330	1,144
HFH International Tithe	12,148	-	-	-	-	12,148	3,727
Insurance	17,494	21,750	1,951	1,944	-	43,139	40,403
Insurance - Worker's Compensation	10,582	150	503	1,176	-	12,411	11,311
Insurance - Executive Staff	10,188	-	-	6,946	805	17,939	25,038
Interest	863	-	-	96	-	959	14,152
Lawn Service	-	-	-	-	-	-	8,650
Licenses and Taxes	40	-	1,181	-	-	1,221	-
Miscellaneous	1,104	1,006	-	123	-	2,233	1,611
Office Expense and Supplies	11,605	-	1,791	1,289	-	14,685	15,907
Payroll Taxes	12,419	2,013	2,378	7,021	2,317	26,148	26,925
Postage and Shipping	1,592	-	-	177	620	2,389	2,938
Printing and Publications	-	-	-	-	1,943	1,943	-
Professional Fees	8,912	16,451	750	5,701	-	31,814	16,798
Property Management	5,158	-	-	-	-	5,158	3,074
Rent	13,500	-	2,500	1,500	-	17,500	15,000
Repairs and Maintenance	5,933	18,895	2,170	659	-	27,657	16,136
Salaries and Wages	151,650	28,036	25,681	60,310	27,738	293,415	317,520
Security	-	-	-	-	-	-	2,615
Small Tools and Supplies	7,373	-	302	-	2,567	10,242	6,781
Telephone	10,507	189	189	1,167	-	12,052	13,782
Travel and Transportation	4,781	95	3,340	531	124	8,871	7,450
Utilities	5,713	2,179	466	635	-	8,993	14,528
Uniforms	415	-	-	46	-	461	-
Volunteer Expense	-	-	-	-	-	-	41
Total Functional Expenses							
Before Depreciation and Discounts	958,264	90,764	60,000	99,294	38,646	1,246,968	1,122,317
Depreciation Expense	12,703	-	-	1,410	-	14,113	15,433
Discount on Current Year Non-Interest Bearing Mortgage Loans Receivable	677,399	-	-	-	-	677,399	306,129
Discount on Mortgages Sold to Jeff Davis Bank	6,450	-	-	-	-	6,450	2,150
Discount on Current Year Note Payable	5,093	-	-	-	-	5,093	5,873
Total Functional Expenses	\$ 1,659,909	\$ 90,764	\$ 60,000	\$ 100,704	\$ 38,646	\$ 1,950,023	\$ 1,451,902

The accompanying notes are an integral part of these statements

**HABITAT FOR HUMANITY CALCASIEU AREA, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year ended June 30, 2013  
with comparative totals for 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (259,700)	\$ 225,730
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (used) by Operating Activities:		
Depreciation	14,113	15,433
Net (Increase) Decrease in:		
Grants Receivable	-	3,231
Prepaid Expenses	-	3,965
Prepaid Credit Card	2,236	18,704
Other Receivables	(4,618)	3,248
Loss on Sale of AHPP Properties	-	149,064
Houses Under Construction	116,636	(279,772)
Net Increase (Decrease) in:		
Accounts and Credit Card Payable	(3,011)	14,456
Accrued Leave	7,018	2,520
Payroll Taxes Payable	2,532	3,577
Sales Taxes Payable	930	-
Lawsuit Proceeds	30,671	282,165
Escrow Funds Held	(9,651)	(130,472)
Net Cash Provided (Used) by Operating Activities	(102,844)	311,849
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mortgage Payments Received	267,046	653,343
Mortgage Receivable Discount Earned	(76,586)	(69,068)
Mortgage Receivable Discount Expense	512,027	308,279
New Mortgages Issued	(405,223)	(561,403)
New Notes Receivable Issued	(454,521)	(2,148,353)
Notes Receivable Payments Received	87,762	378,510
Purchase of Fixed Assets	(9,982)	-
Acquisition of Land and Residential Properties	(24,000)	(7,000)
Sales of Land and Residential Properties - AHPP	208,992	2,105,718
Sales of Land and Residential Properties	76,600	-
Acquisition of Land and Residential Properties - AHPP	-	(456,201)
Net Cash Provided (Used) by Investing Activities	182,115	203,825
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on Flex Cap Loan	-	(127,852)
Payments on Interim Loan	-	(200,000)
Payment on Note to Jeff Davis Bank	(4,075)	(4,127)
Note Payable Discount Expense	5,093	5,873
Payment on Note to Brown Foundation	(15,186)	(4,716)
Net Cash Provided (Used) by Financing Activities	(14,168)	(330,822)
Net (Increase) Decrease in Cash and Cash Equivalents	65,103	184,852
Cash and Cash Equivalents, Beginning of Year	379,050	194,198
Cash and Cash Equivalents, End of Year	\$ <u>444,153</u>	\$ <u>379,050</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid for Interest During the Period	\$ <u>959</u>	\$ <u>14,152</u>

The Organization acquired various residential lots and a residential property during the current year valued at \$24,000 as contributed property.

The accompanying notes are an integral part of these statements



**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Habitat for Humanity Calcasieu Area, Inc. have been prepared on the accrual basis and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its audit guide for voluntary health and welfare organizations.

1. Organization and Purpose

Habitat for Humanity Calcasieu Area, Inc. ("Habitat" or "the Organization") was incorporated on January 27, 1992, as an interdenominational organization whose purpose is to encourage, promote, and assist in the building and redevelopment of low-income housing in Calcasieu Parish and the surrounding area. Habitat's purpose is accomplished through a privately operated and financed program to transfer such housing to low-income persons at approximate cost utilizing non-interest bearing mortgage loans. Habitat finances its operations through continuing contributions, mortgage payment receipts and low interest loans.

2. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash, Cash Equivalents and Concentration of Credit Risk

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Reserved Cash

The Organization currently services the mortgages on the homes it sells. Included in reserved cash, which are required to be kept in a separate bank account, are amounts received from homeowners for insurance, property taxes and home maintenance (escrow funds). Reserved cash at June 30, 2013 was \$19,744.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

6. Property and Equipment

Contributed property and equipment are recorded as support at their estimated fair value at the date of donation; all other fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation amounted to

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Property and Equipment (continued)

\$14,113 for the year ended June 30, 2013, based on an estimated useful life of five (5) to seven (7) years for equipment and twenty-seven and a half (27.5) to thirty-nine (39) years for property and leasehold improvements. Maintenance, repair costs, and minor replacements are charged to expense as incurred. The Organization maintains a capitalization threshold of \$500.

7. Public Support and Revenue

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted contributions are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

8. Advertising Costs

Advertising costs are charged to operations when incurred. For the year ended June 30, 2013, the Organization incurred advertising costs of \$5,100.

9. Houses Under Construction and Real Estate Owned

Real estate, building materials, and labor are recorded at cost when payment is made or at estimated fair market value when donated.

Reclaimed houses are recorded as a component of real estate owned at the outstanding mortgage balance at the date of reclamation.

10. Contributed Services

A substantial number of volunteers have made significant contributions of their time to Habitat, principally in the areas of house construction, administration and fundraising. The value of non-professional contributed time is not reflected in the accompanying financial statements. However, Habitat values donated professional service based on the market value of the service being provided.

11. Income Taxes

Habitat for Humanity Calcasieu Area, Inc. was incorporated under the laws of the state of Louisiana. The Organization is operated exclusively for charitable services and has qualified for the exemption from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509 (a) of the Code.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

**NOTE B – COOPERATIVE ENDEAVOR AGREEMENT**

On April 6, 2009, the Organization and Project Build A Future, Inc. entered into a cooperative endeavor agreement with the State of Louisiana, Division of Administration, Louisiana Recovery Authority, where as the State agreed to partner with both Agencies to build single family housing units designed as part of the Alternative Housing Pilot Program (AHPP) units on land owned by both Agencies. The State provided funding of \$419,079 of AHPP funds to both Agencies for the purchase of thirty six (36) lots upon which AHPP units would be constructed. The State entered into a Developer Service Agreement with another party to develop and construct the housing units on these lots owned by both Agencies. The two (2) Agencies are the initial owners of all AHPP properties that are specifically constructed in Calcasieu Parish, Louisiana for sale to third parties. The two (2) Agencies will also retain the sale proceeds of the housing units and must use those proceeds for affordable home ownership programs for low and moderate-income people, in conformity with the mission of both Agencies.

The Organization began offering these homes for sale to qualified homeowners in the prior year through a lease with an option to purchase arrangement, with the rental payment being approximately the same as the estimated mortgage payment. Once the buyer is prepared for home ownership, they receive credit for those payments made in rent, less some expenses. The buyer then closes on a loan with the Organization.

During the year, the Organization signed lease to purchase contracts on five (5) of the properties at sales prices totaling \$454,521, and recorded these as notes receivable. The Organization closed on ten (10) of the homes, with original mortgages totaling \$793,812, and included these houses in mortgage receivables. Three (3) of the housing units, at values of \$229,334 did not have signed contracts as of June 30, 2013.

In the prior year, the Organization signed lease to purchase contracts on twenty-five (25) of the properties at sales prices totaling \$2,148,353, and recorded these as notes receivable. The Organization closed on four (4) of the homes, with original mortgages totaling \$342,540, and included these houses in mortgage receivables. Five (5) of the housing units, at values of \$416,364, did not have signed contracts as of the end of the fiscal year June 30, 2012.

**NOTE C – PROPERTY AND EQUIPMENT, NET**

A summary of property and equipment at June 30, 2013, is as follows:

Vehicles	\$ 54,982
Leasehold improvements	11,650
Machinery and equipment	74,160
Office equipment	23,144
	<u>163,936</u>
Less: accumulated depreciation and amortization	<u>118,181</u>
Property and equipment, net	<u>\$ 45,755</u>

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

**NOTE D – FAIR VALUES OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, short-term unconditional promises to give, and notes payable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Non-interest bearing mortgage loans receivable: The fair value of non-interest bearing mortgage loans receivable is estimated using discounted cash flow analysis, based on rates developed by Habitat for Humanity International once a year on June 30, 2013, which approximates current market interest rates for mortgage loans of this type. The carrying amounts of the non-interest bearing loans receivable approximate fair value.

Notes payable: The fair value of the non-interest note payable to Jeff Davis Bank is estimated using discounted cash flow analysis, based on the Organization's current incremental borrowing rate. The carrying amount of the Organization's non-interest note payable approximates fair value.

**NOTE E – FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses were allocated in the accompanying financial statements to program and support services functional expense groups. The methods of allocation were based on the Organization's estimates of the relative proportion of various staff members' time and effort between program and support services as well as the Organization's estimates of the amount of each expense utilized for program or support service functions.

**NOTE F – OPERATING LEASE**

On March 1, 2008, the Organization entered into a one (1) year monthly lease agreement for its offices at \$1,250 per month. The Organization may continue to lease the property on a month-to-month basis after February 28, 2009 until it receives written notice from the lessor to vacate the building no later than ninety days after the date the Organization receives the notice. Lease expense was \$15,000 for June 30, 2013.

**NOTE G – CONCENTRATION OF REVENUE AND SUPPORT**

Much of the revenue for the Organization's programs is provided by various donors through grants and contributions, as well as funding from Habitat for Humanity International. In the current year, these monies accounted for thirty-four (34%) of its support, aside from the program services of the Agency. The current level of the Organization's operations and program services may be adversely impacted by any reduction in funding.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

**NOTE H – NOTES PAYABLE**

Notes payable at June 30, 2013, consist of the following:

The Joe W. and Dorothy Dorsett Brown Foundation,  
non-interest bearing notes:

Payable in annual installments of \$1,250 with final payment in May 2018, secured by real property	\$ 5,729
Total	<u>5,729</u>

Jeff Davis Bank, non-interest bearing note, payable in 180 monthly installments of \$833 with final payment in June 2023, secured by certain mortgage receivables	99,992
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Total Notes Payable	105,721
Less Discount	<u>30,542</u>
	75,179
Less Current Portion	<u>6,037</u>
Total Long - Term Debt	<u><u>\$ 69,142</u></u>

Scheduled maturities for debt outstanding at June 30, 2013, for  
each of the next five years are as follows:

2014	11,246
2016	11,246
2016	11,246
2017	11,246
2018	9,996
Thereafter	<u>5,406</u>
	75,179

The non-interest note payable to the Brown Foundation has not been discounted to approximate fair value as management believes it is not material to the financial statements.

The interest rate used to discount the note payable to Jeff Davis Bank was obtained based on the market rates for similar types of notes on the origination date. The interest rate was determined to be 7.75%.

**NOTE I - HOUSING ACTIVITIES**

During the year ended June 30, 2013, Habitat started eight (8) new houses. Completed houses were either sold at cost or held in inventory at cost, as real estate owned, pending sale. At June 30, 2013, Habitat had six (6) houses under construction on land owned by Habitat. Sales of houses were \$528,687 during the year ended June 30, 2013.

The Organization records and accounts for mortgage loans receivable based on the present value of the loan at the time of closing. For purposes of calculating loan present values, interest rates are determined based on the market rates for a similar type of loan on the date of closing and are obtained from Habitat for Humanity International, which develops the discount rate once a year on June 30. All mortgage loans issued in the current fiscal year have a rate of 7.39%. This method of accounting properly reflects the value of the mortgage loans receivable in the financial statements and recognizes interest income over the life of the loans. An expense is recorded upon the sale of the house for the difference between the face value of the mortgage loans receivable and the present value of the loans. The Organization has not established an

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

**NOTE I - HOUSING ACTIVITIES (continued)**

allowance for doubtful accounts as it can reclaim homes through foreclosure in the event that a loan is deemed to be uncollectible. Scheduled annual mortgage receipts are approximately:

2014	\$	124,208
2015		124,208
2016		124,208
2017		124,208
2018		124,208
Thereafter		2,576,807
		<u>3,197,847</u>
Less Discount		1,658,748
	\$	<u><u>1,539,099</u></u>

**NOTE J – SALES OF MORTGAGES**

During the year ended June 30, 2012, the Organization entered into an agreement with Jeff Davis Bank to sale fourteen (14) of their mortgage receivables at a discount of \$128,989. The resulting discount will be amortized over twenty (20) years, which is the average of the maturities of the mortgages sold. As the loans were sold “with recourse” to the bank, in the event a mortgage loan becomes ninety (90) days delinquent, the Organization must pay the balance of the loan sold under the agreement.

**NOTE K - RETIREMENT BENEFITS**

The Organization does not provide retirement benefits. Employees participate in the Social Security system. The Organization is not responsible for any post-employment benefits. The Organization has only the usual obligation to make current matching payments of the Social Security system for active employees.

**NOTE L - COMPENSATED ABSENCES**

The Organization has the following policy relating to vacation and sick leave:

**Vacation:** Each full-time employee shall be entitled to take vacation with pay in the following manner: An employee of the Organization will earn one week’s vacation after one (1) year of employment and it can be taken at the end of that period. After two (2) years of employment, he/she is eligible for an additional week of vacation. After five (5) years of employment, he/she is eligible for three weeks of vacation.

**Sick Leave:** Each full-time employee shall be granted ten (10) days per year effective January 1 each year. A new employee, after working ninety (90) days, will be prorated sick leave at the rate of 3.07 hours per pay period continuing through December 31 of that calendar year. Sick leave is to be used for personal illness, or may be used in hourly increments for preventative care, dental or doctor visits. Once the available sick leave is exhausted, an employee may use vacation leave time or excused leave without pay. Any sick leave absences of more than three (3) consecutive work days, requires a doctor’s statement or release prior to returning to work.

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013

**NOTE L - COMPENSATED ABSENCES (continued)**

Unused sick leave benefits will not be allowed to accumulate from a prior calendar year into a subsequent calendar year. Unused sick leave will not be paid to an employee at the time of termination or retirement.

The value of these compensated absences was \$12,584 at June 30, 2013.

**NOTE M – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2013 are available for the following uses:

Purpose and time restrictions - AHPP Notes Receivable	\$ 1,409,961
Purpose and time restrictions - AHPP Homes	258,079
Purpose and time restrictions - HFH Construction	<u>631,534</u>
Total temporarily restricted net assets	<u>\$ 2,299,574</u>

**NOTE N – SUBSEQUENT EVENT**

Subsequent events were evaluated through October 11, 2013, which is the date the financial statements were available to be issued.

**NOTE O – PRIOR PERIOD ADJUSTMENTS**

For the year ended June 30, 2013, it was noted that incorrect discount rates had been applied to the mortgage loans in years prior to 2009. This resulted in a decrease of \$171,822 to unrestricted net assets. In addition, there was activity from prior years resulting from the Organization's cooperative endeavor agreement with Project Build A Future, Inc. as part of the Alternative Housing Pilot Program (AHPP). These adjustments resulted in an increase of \$67,964 to temporarily restricted net assets at June 30, 2013.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Habitat for Humanity  
Calcasieu Area, Inc.  
Lake Charles, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity Calcasieu Area, Inc. (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Habitat for Humanity Calcasieu Area, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity Calcasieu Area, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Habitat for Humanity Calcasieu Area, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an



opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McMullen and Mancuso, CPAs, LLC

*McMullen and Mancuso CPAs*

Sulphur, LA

October 11, 2013

**Habitat for Humanity Calcasieu Area, Inc.**

**SCHEDULE OF FINDINGS**

**Year Ended June 30, 2013**

We have audited the financial statements of Habitat for Humanity Calcasieu Area, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated October 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2013 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☐ Yes ☒ No Other Conditions ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

Section II Financial Statement Findings

There were no current year financial statement findings.

Habitat for Humanity Calcasieu Area, Inc.

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended June 30, 2013**

<b>Ref No.</b>	<b>Fiscal Year Finding Initially Occurred</b>	<b>Description of Finding</b>	<b>Corrective Action Taken</b>
<b>Section I - Internal Control and Compliance Material to the Financial Statements:</b>			
2012-1	Unknown	The Organization does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the Organization's financial transactions or preparing financial statements, including related notes.	Resolved

**Section II - Management Letter:**

There were no prior year management letter comments.

This schedule is prepared by management.

Habitat for Humanity Calcasieu Area, Inc.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Year Ended June 30, 2013

<u>Ref No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
<u>ML-1</u>	2013	The sales tax returns submitted by the Agency for the Restore contained errors. The incorrect amount of gross sales were reported on returns that were included in our testing, resulting in an underpayment/overpayment of sales taxes.	Yes	The Agency will review and amend the incorrect sales tax returns, and all future returns will report the correct gross sales figures.	Kim Lawson	10/31/2013

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**MANAGEMENT LETTER**

Board of Directors  
Habitat for Humanity  
Calcasieu Area, Inc.  
Lake Charles, Louisiana

We have audited the financial statements of the Habitat for Humanity Calcasieu Area, Inc., a component unit of the State of Louisiana, as of and for the year ended June 30, 2013, and have issued our report thereon dated October 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of our examination, we have issued our report on the financial statements, dated October 11, 2013, and our report on internal control and compliance with laws, regulations, and contracts, dated October 11, 2013.

During the course of our examination, we became aware of the following matter which represents immaterial deviations of compliance or suggestions for improved internal controls.

**ML 2013-1 – Completion of Sales Tax Returns**

During the course of the audit, it was discovered that sales tax returns submitted by the Agency for the Restore contained errors. The incorrect amount of gross sales was reported on returns included in testing, resulting in an underpayment/overpayment of sales taxes. We recommend that the incorrect sales tax returns be reviewed and amended so the correct amount of sales tax can be submitted to the taxing agencies.

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendations.

McMullen and Mancuso, CPAs, LLC

*McMullen and Mancuso CPAs*

Sulphur, LA

October 11, 2013